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Taxcalendar

March 1

Deposit payroll tax for payments on February 22, 23 and 24.

Deposit gas tax for the first 15 days of February if the 14-day rule applies.

March 3

Deposit payroll tax for payments on February 25, 26, 27 and 28.

March 8

Deposit payroll tax for payments on March 1, 2 and 3.

March 9

Deposit environmental, fuel, luxury, retail and manufacturers tax for the last 13 days of February.

March 10

Deposit payroll tax for payments on March 4, 5, 6 and 7.

March 14

Deposit gas tax for the last 13 days of February if the 14-day rule applies.

March 15

Deposit payroll tax for payments in February if the semiweekly rule did not apply.

Deposit payroll tax for payments on March 8, 9 and 10.

March 17

Deposit payroll tax for payments on March 11, 12, 13 and 14.

March 22

Deposit payroll tax for payments on March 15, 16 and 17.

March 24

Deposit payroll tax for payments on March 18, 19, 20 and 21.

Deposit environmental, fuel, luxury, retail and manufacturers tax for the first 15 days of March.

March 29

Deposit payroll tax for payments on March 22, 23 and 24.

Deposit gas tax for the first 15 days of March if the 14-day rule applies.

March 31

Deposit payroll tax for payments on March 25, 26, 27 and 28.

File Form 730 and pay tax on bets accepted during February.

File Form 2290 and pay heavy vehicle use tax (or first installment) for vehicles first used in February. Pay installments for other vehicles, if applicable.

For more information on other excise taxes, see Publication 509, "Tax Calendars for 1995" and Publication 510, "Excise Taxes for 1995."



Tax Tips

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A NEWSLETTER FOR NEW BUSINESSES

courtesy of

The Internal Revenue
Service

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IRS Tax Assistance Telephone Numbers

1-800-829-1040
for general tax assistance

1-800-829-4477
tele-tax
for recorded tax information

1-800-829-3676
for FREE
tax forms and publications

On the Road Again

Car and Travel Expense

In today's competitive market, business people are finding themselves logging more hours outside of the shop—whether around town or thousands of air-miles away. The good news is that some of these expenses may be business deductions.

Car Expenses

To take a business deduction for the use of your car, you must determine whether the use was business or personal.

If the answer is personal, no deduction is allowed. Personal use includes "commuting"—driving from your home to your regular place of work or to meet a client. You cannot deduct commuting expenses, regardless of how long your trip is, how often you make it, what you do while you drive, the number of businesses you have, or where your businesses are.

One exception involves people with multiple jobs or businesses. Driving from home to "Business One" is commuting, but driving from "Business One" to "Business Two" is deductible. Also, you are usually allowed to deduct transportation costs for going from your home to a temporary business location, regardless of the distance.

For the most part, there are three kinds of car trips that are tax-deductible: 1) traveling from one business location to another, 2) making business trips out-of-town when you have to stay overnight, and 3) going to temporary business locations.

To claim the deduction correctly, a car travel log is essential. You must keep complete and accurate

mileage records for each business trip you use your car. Write this information down in your log at the time you make the trip because it may be difficult to remember later. If you are unable to produce clear and accurate business mileage records, the IRS has little choice but to disallow the deduction.

If you qualify for the deduction, you can choose to claim either actual expenses or the standard mileage rate.

Actual Expenses: You can add all your car operating expenses for the year including gas, oil, tires, repairs, license fees, garage rental, insurance and depreciation. Then deduct the percentage of the total that was for business use, based on your mileage records of business and personal travel. Deductions for business parking and tolls are separate. Self-employed people can claim car operating expense deductions on Schedule C, "Profit or Loss From Business."

Standard Mileage Rate: Instead of tracking car costs, you can use the standard mileage rate. Multiply your business mileage by the standard rate of 29 cents per mile (an amount that may change each year). If you use the standard mileage rate, you cannot also claim depreciation for that car. Depreciation is already figured into the standard mileage rate.

(continued on page 2)

Travel Expenses

First, some basic rules. Travel expenses are your “ordinary and necessary” expenses while you are traveling away from home on business. The tax law requires that you provide proof that your trip away from home was primarily for business.

Some terms to know are “tax home” and “away from home.” Your “tax home” is your main place of business, regardless of where you live. If you don’t have a main place of business your tax home is usually where you live.

You are considered to be traveling “away from home” if your duties require you to be away from the general area of your tax home for substantially longer than an ordinary day’s work and if you need to spend the night.

Keep whatever documents you can gather at the time of the trip to prove where you went, why you went there, how long you were there and what you spent. If your

travel includes some business and some personal aspects, be sure to keep clear records showing exactly how much is related to business. You should keep the following documents:

- ✓ **Lodging receipts:** These should show where you were, how long you were there and the charges. Also keep receipts for cleaning and laundry, telephone charges and tips.
- ✓ **Transportation receipts:** These include airplane, train or bus ticket stubs, travel agency receipts, rental car or taxi receipts, etc., all showing the dates and service involved.
- ✓ **Meal receipts:** Generally you must save receipts over \$25 and keep a log of meals under that amount. You may keep track of the actual cost of your meals, or you may qualify to use the “standard meal allowance.” In 1994, the rates were \$26, \$30, \$34 or \$38 a day depending on where you are traveling in the U.S.

You can generally only claim 50 percent of the cost of your meal while you are traveling—even if you are dining with business associates. Taxes and tips that are part of the cost are also subject to the 50-percent limit.

- ✓ **Personal Calendar:** You may want to start a calendar that indicates all of your out-of-town travel arrangements, schedules, and the business purpose of each trip.

You must also consider any reimbursement you receive for the travel expenses in computing your deductions.

For more information about the business use of your car or business travel expenses, ask for these free IRS publications.

- ▶ Publication 917, Business Use of a Car
- ▶ Publication 463, Travel, Entertainment, and Gift Expenses
- ▶ Publication 535, Business Expenses. 📄

GRAND OPENING:

The Costs of Starting a Business

It seems the hardest part of any task is getting started. That’s especially true when you are getting ready to go into business for yourself. Before you even open your doors you invest a lot of effort and money. These start-up costs could include advertisements for your grand opening, a survey of potential markets, salaries or wages of employees in training, costs for contacting suppliers and fees for professional services, like a CPA. These costs are considered capital expenses and are a part of your basis in the business.

There are ways to deduct some of these costs. One example is

this: if you bought a computer or piece of equipment to use in your business, you may be able to “depreciate” that cost over a number of years.

You may elect to “amortize,” or write off, certain expenses from your income in equal amounts over a period of not less than five years. Amortizable costs include start-up costs, and some organizational costs for a partnership or corporation. The costs must meet the following guidelines:

- ▶ they must be paid or incurred to operate an existing trade or business, and

- ▶ you must pay or incur costs before you begin business operations.

To amortize your costs, you must fill out IRS Form 4562, “Depreciation and Amortization,” and file it with your tax return for the year you start doing business. Attach a separate statement describing each of the costs in detail.

For more information on business start-up costs, ask for the following free IRS publications.

- ▶ Publication 583, Taxpayers Starting a Business
- ▶ Publication 535, Business Expenses. 📄

COMMON REPORTING ERRORS

How to Avoid Errors

- ▶ Employers with computer-based payroll systems should ask for Social Security Administration's Publication No. 31-011, Software Standards and Edit Criteria for Annual Wage Reporting. It covers software standards and edit criteria for those who use computer systems to produce paper Form W-2 reports. Send your request to:

Social Security Administration
Office of Financial Policy
and Operations
ATTN: AWR Software
Standards Project
P.O. Box 17195
Baltimore, MD 21235

- ▶ Magnetic Media Filers should strictly follow the guidelines provided in SSA Publication TIB-4, Magnetic Media Reporting. Send your requests for this publication to the SSA Regional Wage Reporting Specialist who serves your state.
- ▶ Advise employees to let SSA know if they change their names. This will ensure that wage reports are properly credited to their records.
- ▶ Carefully review the new filing instructions issued each year by IRS (Publication 393) and SSA (Technical Instruction Bulletin No. 4).
- ▶ Reconcile Form 941 reports to Form W-3 for the year before filing your wage report with SSA. 📌

Helping the Handicapped is Good, and it's Good Business



By opening your doors to handicapped employees and customers and actually making the doors wider and adding ramps, your business can realize significant tax savings.

To encourage hiring the handicapped and to make buildings more accessible, tax laws allow businesses to deduct up to \$15,000 each year for necessary improvements to make their areas more accessible to handicapped and elderly employees and customers. These improvements may be made to a building, parking lot, public

transportation vehicle or other facility.

Employers can also claim a jobs tax credit by hiring people who are certified members of targeted groups, such as those with a particularly high unemployment rate or special employment needs.

For more information about these tax savings, ask for the following free IRS publications.

- ▶ Publication 535, Business Expenses
- ▶ Publication 907, Information for Persons with Disabilities. 📌

Oops!

Setting the Record Straight with the IRS

Making an error or missing a tax filing deadline doesn't have to be a major problem, particularly if you take prompt action to set things right. Following are the proper fix-it procedures:

Form 1065, "U.S. Partnership Return of Income": Simply write "amended return" on a Form 1065. Then follow the instructions that come with the form and give each partner a copy of the corrected return.

Form 1099, "Information Returns": Use the instructions for making corrections that come with that particular form, be it

the 1099, 1098, 5498, or W-2G. Since penalties can rapidly mount from mistakes made on these types of information reporting returns, corrections should be made as soon as possible.

Federal Tax Deposits: You should generally report the corrected amounts on your 941 quarterly tax return. Mistakes should be corrected as soon as possible to limit any penalties. Remember, Form 8109, the "Federal Tax Deposit Coupon," should accompany your payroll taxes. 📌